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C O N F I D E N T I A L BUENOS AIRES 000056

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TAGS: PGOV PREL EINV ECPS EPET EMIN AR

SUBJECT: AMBASSADOR RAISES ARGENTINA INVESTMENT CLIMATE CONCERNS WITH FM TAIANA

REF: (A) BUENOS AIRES 44 (B) BUENOS AIRES 43 (C)

BUENOS AIRES 54 (D) BUENOS AIRES 45

Classified By: Charge d'Affaires Tom Kelly for reasons 1.4 (b) & (d).

¶1. (C) Summary: The Ambassador raised with Foreign Minister Jorge Taiana U.S. companies' concerns about Argentina's investment climate during their January 10 meeting (reftels). He informed Taiana that the USG is closely monitoring Argentina's dispute with CMS Gas Transmission, and expressed concern that the GOA has now signalled that it will not pay an ICSID arbitral award, despite earlier assurances to the contrary. He also relayed U.S. companies' concerns over the GOA's decision to raise export taxes on the mining and energy sectors as well as limit fuel exports, noting the negative impact the policies had on attracting additional investment. The Ambassador requested MFA assistance for arranging appointments for the upcoming visit by Ambassador David Gross, the U.S. Coordinator for International Communications and Information Policy. Although the MFA initially agreed to assist with the visit, the MFA subsequently said they believe it would be better for Ambassador Gross to reschedule his visit for February or March as this is "vacation time", but that if he had to come at this time to focus on private sector meetings and to keep a low public profile. End Summary.

¶2. (C) On January 10, Ambassador Wayne raised with Foreign Minister Jorge Taiana U.S. companies' concerns over Argentina's investment climate. They also discussed the current state of bilateral relations (ref A), the release of Colombian hostages (ref B), Kosovo (septel), the Damascus Declaration National Council (ref C), and the upcoming Washington conference on renewable energy (ref D). Taiana was accompanied by Under Secretary for Bilateral Relations Vicente Espeche Gil.

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Ambassador Stresses Importance of Paying ICSID Awards  
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¶3. (C) The Ambassador informed Taiana that the USG is closely monitoring the dispute between Argentina and American investor CMS Gas Transmission, and noted that EEB Assistant Secretary Dan Sullivan had raised the issue with Argentine

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Ambassador Jose Octavio Bordon in Washington six weeks ago. He noted that Argentina's Attorney General for the Treasury had recently indicated that Argentina would not pay CMS the arbitral award ordered by the International Center for the Settlement of Investment Disputes (ICSID), despite previous public assurances that the GOA would pay if the ICSID arbitral tribunal denied Argentina's request for annulment.

The Ambassador asked Taiana to transmit to the Ministry of Economy the importance of paying the award, cautioning that failure to pay the ICSID arbitral award would "not send a positive signal" to the international community and foreign investors. The Foreign Minister stated that he would forward our concerns to the Ministry of Economy.

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Ambassador Highlights Concerns over Export Taxes  
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¶4. (C) Ambassador Wayne also indicated that a number of U.S. companies are troubled by recent GOA moves to increase export taxes on mining and petroleum exports as well as limit fuel exports. He commented that these decisions complicate their efforts to convince headquarters to authorize additional investment in Argentina. Taiana noted the concern, and asked if the Embassy could provide him with information on U.S. investment in the mining sector, as he was not aware of significant U.S. mining investments. As if to note his own frustration with the GOA's self-defeating trade policy, Taiana ironically observed that the MFA had just issued a report on its efforts to expand export markets for Argentine producers.

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MFA Declines Authorization for GOA Meetings for Gross  
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¶5. (C) The Ambassador also informed Taiana that Ambassador David Gross, the U.S. Coordinator for International Communications and Information Policy, will visit Buenos Aires on January 17 to discuss telecommunication, Internet, and satellite education issues with Argentine officials and executives. The Ambassador requested GOA assistance with arranging Ambassador Gross's meetings with several GOA officials, including the Science Minister. Deputy Foreign

Minister Roberto Garcia-Moritan called Ambassador Wayne on Monday January 14 to say that given the "vacation period" in Buenos Aires, it would be better if Ambassador Gross could reschedule his visit for February or March. When the Ambassador explained that Ambassador Gross was visiting Chile this week, the Deputy Foreign Minister said it would be better at present to focus on private sector meetings and to maintain a low public profile.

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COMMENT  
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¶6. (C) Ref A noted that meeting atmospherics were excellent, with Taiana going out of his way to strike a positive tone. While the MFA has said that normal embassy interaction with the GOA should continue, the MFA decision not to authorize GOA meetings with Ambassador Gross is a clear indication of their sensitivity over requests for Ministerial and senior sub-ministerial meetings until we have worked through current problems.

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